

Information Request AG-1-4

Please provide the workpapers, calculations, formulas, assumptions and supporting documentation used to allocate the pension assets, liabilities, and costs to NSTAR's generation, transmission, holding company, and other businesses. Please also provide a five-year history of the dollar amount and the percentage of pension cost allocated.

Response

NSTAR does not allocate the assets and liabilities related to its pension and PBOP plans among the separate business lines or corporate entities.

The costs related to the pension and PBOP plans are accounted for as a component of the benefits loader of NSTAR. Total benefits costs are booked to expense or capital on the books of the operating subsidiaries based on straight-time labor costs incurred. When an employee's time is spent on a work effort that supports operations or maintenance, a loader is applied to their straight-time labor costs, which results in the booking of benefits expense in Account 926. Similarly, when an employee's time is spent on a work effort that supports capital, a loader is applied to their straight-time labor costs that results in the booking of a benefit cost to a capital work order. Similarly, when an employee's work effort supports a non-regulated subsidiary, the benefit costs are charged to that subsidiary.

In the Company's response to Information Request DTE-1-2 in D.T.E. 03-47, the Company supplied the historic data to support the resulting allocation of pension and PBOP costs to each of the operating subsidiaries of NSTAR. To facilitate consideration in this case, the attachment to Information Request DTE-1-2 is provided herewith as Attachment AG-1-4, at pages 1 through 5. For purposes of this response, the Company has added a column providing the actual 2003 accounting because the PAF factor filed in December 2004 was based on estimated 2003 results.

In addition, page 6 of Attachment AG-1-4 provides a breakdown of the pension and PBOP amounts in distribution and transmission rates for the electric companies for 2003. As discussed in response to Information Request AG-2-1, distribution customers receive the full benefit of all amounts collected from transmission customers for transmission-related pension and PBOP costs because these amounts are deducted from the PAF calculation in the line item "Pension & PBOP Expense Currently in Rates."

Lastly, page 7 of Attachment AG-1-4 provides an analysis of NSTAR's employee benefits for 2003. This analysis is provided to support the allocation of pension and

PBOPs to the operating companies and to O&M and capital for purposes of calculating the PAF. This analysis also shows the benefits charged to the non-utility companies. None of the costs attributed to non-utility companies are included in the PAM for recovery from utility customers.

NSTAR no longer has a generation business and thus there are no generation related Pension and PBOP expenses.

**NSTAR Regulated Total**

FAS 87/106 Data (\$'s in Millions)

Line	Description	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1993-2002	2003E	2003 A
1	SFAS 87 Accounting Cost	\$ 17,752	\$ 26,536	\$ 40,803	\$ 48,304	\$ 22,798	\$ 15,186	\$ 10,371	\$ (12,822)	\$ (7,746)	\$ 11,086	\$ 172,268	\$ 46,761	\$ 47,233
2	Intercompany Transfers	0.388	0.955	0.744	0.738	0.786	0.808	0.661	-	-	-	5.080	-	(0.721)
3	Deferrals and Deferral Amortization	(4.849)	6.202	7.139	(11.043)	(1.713)	(0.838)	9.219	-	-	-	4.117	-	-
4	Net SFAS 87 Cost	13.291	33.693	48.686	37.999	21.871	15.156	20.251	(12.822)	(7.746)	11.086	181.465	46.761	46.512
5	Less: Amounts Capitalized	(1.995)	(4.333)	(7.524)	(5.984)	(2.729)	(2.057)	(1.351)	2.320	1.600	(2.664)	(24.717)	(11.690)	(14.289)
6	SFAS 87 Accounting Expense	\$ 11,296	\$ 29,360	\$ 41,162	\$ 32,015	\$ 19,142	\$ 13,099	\$ 18,900	\$ (10,502)	\$ (6,146)	\$ 8,422	\$ 156,748	\$ 35,071	\$ 32,223
7	Pension Tax Deductible Contributions	\$ 8,011	\$ 38,113	\$ 35,510	\$ 72,447	\$ 42,782	\$ 91,047	\$ 61,964	\$ 41,950	\$ 60,390	\$ 49,005	\$ 501,219	\$ 79,200	\$ 79,200
8	Pension Costs in Base Rates	9.625	39.633	36.025	36.025	36.025	22.277	19.367	18.584	18.869	19.548	255.979	20.818	20.818
9	Pension Expense Gross-up Factor	82.98%	79.42%	79.54%	79.54%	79.54%	79.79%	79.87%	79.90%	79.89%	79.86%		79.82%	75.70%
10	Pension Expense in Base Rates	7.987	31.477	28.653	28.653	28.653	17.776	15.469	14.849	15.074	15.612	204.202	16.618	15.760
11	SFAS 106 Accounting Cost	\$ 41,481	\$ 37,551	\$ 36,122	\$ 38,070	\$ 33,774	\$ 30,625	\$ 31,740	\$ 17,518	\$ 20,357	\$ 26,247	\$ 313,485	\$ 42,332	\$ 39,462
12	Intercompany Transfers	0.639	0.676	0.589	0.575	0.430	0.593	0.574	-	-	-	4.076	-	(0.603)
13	Deferrals and Deferral Amortization	(21.220)	(14.060)	(2.059)	(1.255)	1.353	3.144	1.896	1.896	1.896	1.896	(26.513)	1.896	1.896
14	Net SFAS 106 Cost	20.900	24.167	34.652	37.390	35.557	34.362	34.210	19.414	22.253	28.143	291.048	44.228	40.755
15	Less: Amounts Capitalized	(4.656)	(4.651)	(5.722)	(6.174)	(3.919)	(3.765)	(3.439)	(3.170)	(4.214)	(6.340)	(46.050)	(10.583)	(11.938)
16	SFAS 106 Accounting Expense	\$ 16,244	\$ 19,516	\$ 28,930	\$ 31,216	\$ 31,638	\$ 30,597	\$ 30,771	\$ 16,244	\$ 18,039	\$ 21,803	\$ 244,997	\$ 33,645	\$ 28,817
17	PBOP Tax Deductible Contributions	\$ 44,251	\$ 39,563	\$ 35,969	\$ 39,895	\$ 37,515	\$ 20,173	\$ 21,587	\$ 63,466	\$ 39,722	\$ 38,115	\$ 380,256	\$ 38,115	\$ 38,115
18	PBOP Costs in Base Rates	7.441	13.316	19.192	21.236	21.236	26.481	28.280	27.956	28.166	28.224	221.527	28.797	28.797
19	PBOP Expense Gross-up Factor	80.88%	79.88%	79.48%	79.46%	79.46%	76.31%	76.52%	76.52%	76.52%	76.50%		76.51%	75.34%
20	PBOP Expense Collected in Base Rates	6.018	10.636	15.255	16.873	16.873	20.208	21.641	21.392	21.552	21.592	172.041	22.031	21.694

## FAS 87/106 Data (\$'s in Millions)

[illegible]

[illegible]

[illegible]

**NSTAR Gas**

**FAS 87/106 Data (\$'s in Millions)**

Line	Description	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1993-2002	2003E	2003 A
1	SFAS 87 Accounting Cost	\$ 3,437	\$ 3,704	\$ 3,317	\$ 3,385	\$ 2,813	\$ 3,143	\$ 2,624	\$ (1,299)	\$ (1,408)	\$ 2,016	\$ 21,731	\$ 8,502	\$ 9,097
2	Intercompany Transfers	0.453	0.478	0.462	0.488	0.514	0.343	0.287	-	-	-	3,025	-	-
3	Deferrals and Deferral Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Net SFAS 87 Cost	3,890	4,182	3,779	3,873	3,327	3,486	2,911	(1,299)	(1,408)	2,016	24,756	8,502	9,097
5	Less: Amounts Capitalized	(0.328)	(0.336)	(0.342)	(0.292)	(0.374)	(0.451)	(0.359)	0.235	0.289	(0.479)	(2,437)	(2,125)	(1,487)
6	SFAS 87 Accounting Expense	\$ 3,562	\$ 3,846	\$ 3,437	\$ 3,581	\$ 2,953	\$ 3,035	\$ 2,552	\$ (1,064)	\$ (1,120)	\$ 1,537	\$ 22,319	\$ 6,376	\$ 7,610
7	Pension Tax Deductible Contributions	\$ 2,974	\$ 2,991	\$ 3,257	\$ 3,087	\$ 2,871	\$ 2,672	\$ 2,248	\$ 10,962	\$ 10,980	\$ 8,910	\$ 50,952	\$ 14,400	\$ 14,400
8	Pension Costs in Base Rates	3,820	3,820	3,820	3,820	3,820	3,820	3,820	3,820	3,820	3,820	38,196	3,820	3,820
9	Pension Expense Gross-up Factor	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%		89.48%	89.48%
10	Pension Expense Collected in Base Rates	3,418	3,418	3,418	3,418	3,418	3,418	3,418	3,418	3,418	3,418	34,178	3,418	3,418
11	SFAS 106 Accounting Cost	\$ 4,912	\$ 4,486	\$ 4,403	\$ 4,263	\$ 3,764	\$ 3,668	\$ 3,130	\$ 1,724	\$ 2,308	\$ 4,772	\$ 37,430	\$ 7,697	\$ 7,600
12	Intercompany Transfers	0.368	0.539	0.525	0.519	0.484	0.403	0.382	-	-	-	3,220	-	-
13	Deferrals and Deferral Amortization	(3,602)	(2,306)	(2,377)	(2,228)	0.365	1,039	1,039	1,039	1,039	1,039	(4,953)	1,039	1,039
14	Net SFAS 106 Cost	1,678	2,719	2,551	2,554	4,613	5,110	4,551	2,763	3,347	5,811	35,697	8,736	8,639
15	Less: Amounts Capitalized	(0.502)	(0.480)	(0.458)	(0.383)	(0.451)	(0.419)	(0.472)	(0.312)	(0.478)	(1,167)	(5,122)	(1,924)	(1,242)
16	SFAS 106 Accounting Expense	\$ 1,176	\$ 2,239	\$ 2,093	\$ 2,171	\$ 4,162	\$ 4,691	\$ 4,079	\$ 2,451	\$ 2,869	\$ 4,644	\$ 30,575	\$ 6,812	\$ 7,397
17	PBOP Tax Deductible Contributions	\$ 5,676	\$ 5,190	\$ 5,079	\$ 4,945	\$ 4,380	\$ 4,235	\$ 4,135	\$ 3,673	\$ 5,019	\$ 6,930	\$ 49,263	\$ 6,930	\$ 6,930
18	PBOP Costs in Base Rates	1,565	1,565	1,565	1,565	1,565	1,565	1,565	1,565	1,565	1,565	15,646	1,565	1,565
19	PBOP Expense Gross-up Factor	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%		89.48%	89.48%
20	PBOP Expense Collected in Base Rates	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	14,000	1,400	1,400

## NSTAR 2003 Pension &amp; PBOP in Base Rates

Pension	BECO	COM	CAM
Transmission	304,965	73,628	83,411
Distribution	8,431,860	3,151,818	297,858
Total	<u>8,736,825</u>	<u>3,225,446</u>	<u>381,269</u>
PBOP			
Transmission	537,637	96,243	184,432
Distribution	14,753,684	4,072,009	649,796
Total	<u>15,291,321</u>	<u>4,168,252</u>	<u>834,228</u>



**NSTAR**  
**Benefits Analysis**  
**2003**  
**(Whole Dollars)**

Net 926	O & M	Deferral	G&A Capitalization	Total 926	Percent of Benefits O & M	Total Capital Benefits	Total Benefits	Percent of total Benefits	Utility O&M %	Cap. %
Col A	Col B	Col C	Col D	Col E	Col F	Col G	Col H	Col I	Col J	Col K
45,681,680	1,131,707	2,430,784	(2,582,637)	46,661,535	50.760%	27,798,094	74,459,629	56.493%	51.894%	37.333%
18,137,900	518,956	1,888,309	(846,750)	19,698,415	21.429%	6,417,182	26,115,597	19.814%	21.91%	24.572%
2,584,302	25,692	202,457	(490,381)	2,322,070	2.526%	1,508,481	3,830,550	2.906%	2.58%	39.380%
18,099,309	426,722	2,962,862	(254,025)	21,234,868	23.100%	4,149,657	25,384,525	19.259%	23.62%	16.347%
2,008,736				2,008,736	2.185%	4,492	2,013,228	1.527%		
86,511,927	2,103,077	7,484,412	(4,173,793)	91,925,624	100.000%	39,877,905	131,803,529	100.000%	100.00%	

Beco  
CE  
CEL  
Gas  
Unregs  
Total

**Notes:**

Col A - D  
Col E  
Col F  
Col G  
Col H  
Col I  
Col J  
Col K

Per Company Records  
Sum of Columns A - D  
Percent of Col E to Col E Total  
Per Company Records  
Col E plus Col G  
Percent of Col H to Col H Total  
Percent of Col H to Col H Total Exclusive of Unregs  
Col G / Col H

**Recap:**

% to unregs  
% to non-O&M  
% to utility O&M  
Total

1.53% Col L Unregs  
30.26% 1 - (Unregs + Utility O&M)  
68.22% Col E / Col H Exclusive of Unregs  
100.00%

Information Request AG-1-6

Please provide copies of the workpapers, calculations, formulas, assumptions, and supporting documentation including charts of account and journal entries for the Pension Cost Charged to Capital. Please also provide a five-year history of the dollar amount and the percentage of pension cost charged to capital accounts.

Response

Please see the Company's response to Information Request AG-1-4.

Information Request AG-1-7

Please provide copies of the workpapers calculations, formulas, assumptions, and supporting documentation for the allocation of the pension costs among NSTAR's distribution companies. Please also provide a five-year history of the dollar amount and the percentage of pension cost allocated to each of the NSTAR distribution companies.

Response

Please see the Company's response to Information Request AG-1-4.

Information Request AG-1-11

Please provide copies of the last three Post-Retirement Benefits Other Than Pension actuarial studies for each of the companies.

Response (Supplemental)

Please refer to the Company's response to Information Request AG-1-9 in D.T.E. 03-47 for NSTAR's Post-Retirement Benefits Other Than Pension (PBOP) actuarial study for 2002 and 2003. Please refer to Attachment AG-1-11 for NSTAR's 2004 PBOP actuarial study.

Information Request AG-1-12

Please provide copies of all of the actuaries' workpapers, calculations, formulas, assumptions, and supporting documentation used to determine the Post-Retirement Benefits Other Than Pension assets, liabilities and costs being considered in the companies' reconciliation filing, including source documents for the underlying actuarial tables for mortality, disability, etc., used in these calculations.

Response

Please see the Company's response to Information Request AG-1-2.

Information Request AG-1-14

Please provide the workpapers, calculations, formulas, assumptions, and supporting documentation used to allocate the Post-Retirement Benefits Other Than Pension assets, liabilities, and costs to NSTAR's generation, transmission, holding company, and other businesses. Please also provide a five-year history of the dollar amount and the percentage of Post-Retirement Benefits Other Than Pension cost allocated.

Response

Please see the Company's response to Information Request AG-1-4.

Information Request AG-1-16

Please provide copies of the workpapers, calculations, formulas, assumptions, and supporting documentation including charts of account and journal entries for the Post-Retirement Benefits Other Than Pension Cost Charged to Capital. Please also provide a five-year history of the dollar amount and the percentage of Post-Retirement Benefits Other Than Pension cost charged to capital accounts.

Response

Please see the Company's response to Information Request AG-1-4.

Information Request AG-1-17

Please provide copies of the workpapers calculations, formulas, assumptions, and supporting documentation for the allocations of the Post-Retirement Benefits Other Than Pension costs among NSTAR's distribution companies. Please also provide a five-year history of the dollar amount and the percentage of post-Retirement Benefits Other Than Pension cost allocated to each of the NSTAR distribution companies.

Response

Please see the Company's response to Information Request AG-1-4.



Information Request AG-1-21

Please provide the total amount of wages and salaries costs recorded on each of the companies books for each of the last five years along with the dollar amount capitalized and the percent capitalized for each of those years.

Response

The requested information for the NSTAR Electric Companies is provided in the Company's FERC Form 1, pages 354-355, copies of which have been provided in the Company's response to Information Request AG-1-6 in D.T.E. 03-47, and in the Company's response to Information Request AG-1-23.

For NSTAR Gas, please refer to the following table for the requested information.

<u>Year</u>	<u>Total Wages</u>	<u>Capitalized Wages</u>	<u>Percent Capitalized</u>
2003	44,078,197	7,013,144	16%
2002	44,023,663	6,791,282	15%
2001	48,933,355	6,292,931	13%
2000	36,847,481	6,292,931	14%
1999	39,167,833	4,251,444	11%

Information Request AG-1-23

Please provide copies of the companies' Annual Returns to the Department for each of the last two years.

Response

Please refer to the Company's response to Information Request AG-1-6 in D.T.E. 03-47 for the NSTAR Electric FERC Forms 1 and MA Supplements for 2002. For 2003, NSTAR Electric is providing the FERC Forms 1 and MA Supplements as follows:

Boston Edison Company	Attachment AG-1-23(a)
Cambridge Electric	Attachment AG-1-23(b)
Commonwealth Electric	Attachment AG-1-23(c)

Please refer to the Company's response to Information Request AG-1-6 in D.T.E. 03-47 for the NSTAR Gas Annual Return to the Department for 2002. For 2003, NSTAR Gas is providing the requested information in Attachment AG-1-23(d). Please note that because the response is a **BULK ATTACHMENT**, a single copy is being provided to the Department and the Attorney General.

Information Request AG-1-24

Please provide copies of the companies' FERC Forms 1 for each of the last two years.

Response

Please refer to the response to Information Request AG-1-23.

Information Request AG-2-1

Please refer to *Fitchburg Gas and Electric Light Company*, D.T.E. 04-48, p. 22 (2004). Please recalculate the Company's compliance filing by appropriately allocating its pension and PBOP expenses to the Company's distribution and transmission functions, and to any remaining generation obligations. Include all work papers, calculations and assumptions supporting the allocations in this response.

Response

The Company's first annual Pension/PBOP Adjustment Factors ("PAF") filing for effect January 1, 2004, as filed with the Department on December 1, 2003 (the "2003 PAF Filing") would be unchanged as a result of the Department's order in Fitchburg Gas and Electric Light Company, D.T.E. 04-48 (2004) (the "Fitchburg Order"). In the Fitchburg Order, the Department required Fitchburg to: (1) capitalize a portion of the amortization of the PBOP transition obligation in computing the 2004 reconciliation adjustment using the same capitalization ratios as for other pension and PBOP costs; and (2) allocate pension and PBOP expenses between the transmission and distribution function.

Consistent with the Fitchburg Order, the Company's 2003 PAF Filing incorporates a capitalized portion of the PBOP transition obligation amortization in computing the 2004 reconciliation adjustment (using the same capitalization ratios as for other pension and PBOP costs). See the Company's response to Information Request AG-1-4, Attachment AG-1-4, at page 7, which identifies this amount for the Company's 2003 PAF Filing.

Similarly, the Company has separately accounted for and identified the 2003 pension and PBOP costs that are related to transmission service. Transmission-related pension and PBOP costs are collected through FERC-approved transmission rates. Specifically, transmission-related pension and PBOP costs are recovered from transmission customers through a FERC-approved labor allocator that changes the amount of pension and PBOP costs recovered in transmission rates on an annual basis. The pension and PBOP costs included in base distribution rates are exclusive of the costs that are charged to transmission customers and remain fixed from year-to-year. In calculating the PAF, the Company has combined the amounts collected through transmission and distribution rates and has deducted both amounts as "Pension & PBOP Expense Currently in Rates." Thus, distribution customers are receiving the benefit of amounts charged to and collected from transmission customers. As shown in the Company's response to Information Request AG-1-4 (Attachment at page 6), the amounts collected through both distribution and transmission rates are included in the PAF calculation.

Information Request DTE-1-1

Refer to PAF Filing at 1, line 27. Please explain the rationale for dividing the Carrying Charge on the December 31, 2003 Deferral Balance by a factor of three.

Response

The Department's order in D.T.E. 03-47-A stated that "[c]arrying costs will be allowed on the average annual prepaid pension balance expense and the unamortized deferred pension and PBOB expenses, net of deferred income taxes." Order at 45-46. The Order further stated that "[t]here will be no carrying costs on the deferred pension and PBOP expense recorded by the Companies during the first 8 months of 2003, as discussed in § VI.C.3." Order at 46, fn.34.

Therefore, in order to calculate the carrying charge for the period September 1, 2003 to December 31, 2003, it was necessary to divide the annual carrying charge by three to reflect the carrying charge for the final four months of 2003.

Information Request DTE-1-2

Refer to PAF Filing at 1, line 19. Please explain why the Companies did not divide the Carrying Charges on Average Prepaid by a factor of three, consistent with the treatment of Carrying Charges on the December 31, 2003 Deferral Balance on line 27.

Response

As discussed in the Company's response to Information Request DTE-1-1, the Department's order in D.T.E. 03-47-A stated that "[c]arrying costs will be allowed on the average annual prepaid pension balance expense and the unamortized deferred pension and PBOB expenses, net of deferred income taxes." Order at 45-46. The Department's Order specifically provided for only one exception to the recovery of carrying charges and that was with respect to deferred pension and PBOP expense. In that regard, the Order stated that "[t]here will be no carrying costs on the deferred pension and PBOP expense recorded by the Companies during the first 8 months of 2003, as discussed in § VI.C.3." Order at 46, fn.34. Accordingly, the Department's order provided for the full recovery of carrying charges relating to the net prepaid pension balance. Therefore, it is not appropriate for the Company to divide the carrying charges on the average prepaid balance by a factor of three.

Information Request DTE-1-3

Refer to the Companies' response to Information Request AG 1-27 dated December 17, 2003. Please provide the Additional Minimum Liability ("AML") as of December 31, 2003.

Response

NSTAR's additional minimum liability at December 31, 2003 was \$303,887,000. This amount represents the adjustment that would have been made to the Company's equity in the absence of the pension adjustment mechanism.